

MONTANA STATE FUND
2025 ANNUAL BUDGET
(Effective for period of January 1 to December 31, 2025)

Montana State Fund (MSF) is a nonprofit, competitive workers' compensation insurance organization. MSF provides Montana businesses with a high-quality and affordable option for workers' compensation insurance and ensures coverage is available for all employers in Montana. The State Auditor's Office/Commissioner of Securities and Insurance (CSI) regulates MSF. As a result, MSF's budget and financial reporting processes are reported on a calendar year basis instead of the State's fiscal year.

This 2025 annual budget identifies expenditures to fund the business operations and approved projects for the January 1 to December 31, 2025, reporting period. The budget provides the funding to enable MSF to continue its role of leading a healthy and competitive workers' compensation market for Montana, meet its regulatory requirements, implement its strategic initiatives, and effectively support business operations.

I. Total Expenditures

The total budget for 2025 expenditures is \$183,714,936. Claim benefit payments and operational expenditures are the two primary components of the budget.

- **Claim benefit payments** of \$108.9 million to injured workers are 59.3% of the total budget. Benefit payments include all expected funding required to pay existing and anticipated injured worker claims for indemnity and medical related claim benefit payments in 2025.
- **Operational expenditures** include all staffing, overhead, and other costs needed to support MSF business operations. The total Operational Expenditure budget of \$74.8 million equates to 40.7% of the total budget.

II. Revenue

Premium revenue, along with investment income, provides the funding to service policyholders, pay indemnity and medical claim benefit payments, and cover operational expenditures. On March 7, 2025, the MSF Board of Directors approved a 5% aggregate rate reduction for the rate year beginning July 1, 2025.

For 2025, MSF is estimating net earned premium of \$169.2 million.

III. Benefit Payments

The 2025 budget for statutorily required claim benefit payments is \$108.9 million. By category, the budget for indemnity benefit payments is \$40.5 million, while the budget for medical benefit payments is \$68.4 million.

IV. Operational Expenditures

Operational expenditures include personal services (employee wages, taxes, and benefits), operating expenses, state agency transfers, capital expenditures, and allocated loss adjustment expense (ALAE). The following table provides a summary of these areas, including the number of FTEs and positions.

Operational Expenditures	2025 Budget
FTEs	287.00
Positions	289
Personal Services	\$37,306,088
Operating Expenses and Transfers	\$32,735,943
Capital Expenditures	\$839,740
ALAE	\$3,931,597
Total Operational Expenditures	\$74,813,368

a. MSF Staffing

MSF is continually evaluating services and functions and realigning staff to meet changing market needs, stakeholder expectations, and evolving work processes. For 2025 MSF is reducing a net of 3.75 FTE and five positions (two full FTE positions, one 0.75 FTE, and two 0.50 FTE).

b. Personal Services – Salaries, employer taxes, and benefits

To support the 287.00 FTEs, MSF has budgeted expenditures of \$37.3 million for the 2025 personal services budget. This includes expenditures for employee salaries, taxes, and benefits. A vacancy savings reduction factor of 3% was applied to the personal services budget. This is an aggregate reduction recognizing that employee turnover creates position vacancies, which is difficult to predict by department or function.

c. Operating Expenses and Transfers

The Operating Expenses and Transfers budget of \$32.7 million is another grouping of expenses underneath the overall category of “Operational Expenditures” and includes the following categories and amounts.

Other Services - \$23,621,681: Two significant items comprise \$21.6 million or 91% of expenditures in this category. Commissions paid to agents are budgeted at \$13,586,977 and, \$7,988,210 is budgeted for consulting and professional services. These consulting services include but are not limited to Dept. of Justice fraud services, NCCI subscription fees, IT and actuarial consulting services. Other items budgeted as ‘Other Services’ include a portion of the State’s Information Technology Services Division (SITSD) fees, audits, insurance and Other States Coverage program-related services.

Other Expenses - \$4,912,382: Almost 78% or \$3.8 million is associated with subscription expenses paid for cloud-based application software used for policyholder and claim servicing and financial services. Miscellaneous smaller expenses including but not limited to the Statewide Cost Allocation Plan (SWCAP), continuing professional education, and OSC premium tax.

Facilities and Maintenance - \$1,651,871: Includes utilities, field office rent, and maintenance expenses for building, automobiles, hardware, and software.

Communications - \$1,065,611: Includes postage and State Print and Mail Division services, a portion of the SITSD fees, advertising, and routine business communication services.

Supplies and Materials - \$864,005: Includes a portion of the SITSD fees, miscellaneous office and business supplies, as well as minor software and hardware expenditures.

Travel - \$361,264: Includes all travel costs to support customer visits, training, board meetings, and other travel.

Transfer - \$259,129: Funding transfer to the Commissioner of Securities and Insurance pursuant to § 33-1-115(6), MCA.

d. Capital Expenditures

The total 2025 budget for capital expenditures is \$657,000. Capital expenditures are assets or leases that are expected to last more than one year and include major purchases like computers, vehicles, and building improvements, as well as intangible assets like software.

e. Allocated Loss Adjustment Expense (ALAE)

ALAE is the specific cost of managing and adjusting a claim; therefore, it is allocated to a specific insurance claim. These expenses include but are not limited to medical invoice processing, investigative services, legal expenses, medical consultants, and OSC program claim adjusting services. \$3,931,597 is budgeted for these claim management and adjusting costs.

V. Old Fund Administration

The 2025 budget includes \$448,594 for expenditures necessary to administer and manage Old Fund claims. These are claims for injuries that occurred prior to July 1, 1990. By law, MSF is reimbursed by the State's General Fund for Old Fund administration costs.